

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2420 – HB 2300

February 28, 2014

**SUMMARY OF ORIGINAL BILL:** Authorizes Industrial Development Corporations (IDCs) to enter into loan agreements with other parties for activities, costs, debt restructuring, or working capital associated with projects. Authorizes an IDCs to sell, exchange, donate, forgive debt, grant and convey any or all assets whenever its board of directors finds such action to further the purposes of the IDC, and authorizes IDCs to transfer any or all of properties or assets in accordance with the terms of any lease, sale contract, loan agreement, mortgage, or deed of trust entered into by the IDC.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Due to multiple unknown variables a precise fiscal impact to local government cannot reasonably be determined; however any impact will be permissive.

IMPACT TO COMMERCE OF ORIGINAL BILL:

Other Fiscal Impact – Due to multiple unknown variables, a precise impact to commerce cannot reasonably be determined but is assumed to be positive.

**SUMMARY OF AMENDMENT (013014):** Deletes all language after the enacting clause and rewrites the bill. Authorizes Industrial Development Corporations (IDCs) within Shelby County to enter into loan agreements with other parties for activities, costs, debt restructuring, or working capital associated with projects. Authorizes an IDC within Shelby County to sell, exchange, donate, forgive debt, grant and convey any or all assets whenever its board of directors finds such action to further the purposes of the IDC, and authorizes IDCs within Shelby County to transfer any or all of properties or assets in accordance with the terms of any lease, sale contract, loan agreement, mortgage, or deed of trust entered into by the IDC.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Unchanged from the original fiscal impact.**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 7-53-101, a loan agreement is an agreement where an IDC loans the proceeds derived from the issuance of bonds to one or more contracting

parties to be used to pay the cost of one or more projects and provides for the repayment of such loan by the other contracting party.

- The provisions of the bill as amended would extend the allowable occasions for which IDCs created within Shelby County can enter into loan agreements to include activities, costs, debt restructuring, or working capital associated with projects.
- Under current law, IDCs are authorized to sell, exchange, donate, and convey any of its properties. The provisions of the bill as amended would authorize IDCs created within Shelby County to also forgive debt and grant any or all assets whenever the board of directors finds such action to be in furtherance of the purpose of the IDC.
- It is unknown how many IDCs will be created within Shelby County, how many will opt to enter into such loan agreements, how many will choose to forgive debt or grant any assets, how either action will impact the revenues of the IDC, and how any such action will fiscally impact the local government in which the IDC is active.
- Due to these multiple unknown variables, any fiscal impact to local government is indeterminable; however any fiscal impact will be permissive.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Unchanged from the original impact to commerce statement.**

Assumptions for the bill as amended:

- Due to multiple unknown variables, such as how many IDCs created within Shelby County will opt to enter into such loan agreements with private businesses, how many IDCs will choose to forgive debt or grant any assets to private businesses, how either action will impact job growth, private business revenue and commerce throughout the state, a precise impact to commerce is indeterminable.
- Due to the nature of IDCs, it is assumed that any options taken by the Shelby County IDCs as a result of the proposed legislation will be done so in a manner to support private business actions; therefore, any impact to commerce is assumed to be positive.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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